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and Transnational Corporations
Twenty-first session
Geneva, 24 April 1995
Item 2 of the provisional agenda

# ADOPTION OF THE AGENDA AND ORGANIZATION OF WORK

## Provisional agenda and annotations to the provisional agenda

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## II. ANNOTATIONS TO THE PROVISIONAL AGENDA

### Introduction

Pursuant to paragraph 1 of General Assembly resolution 49/130 of 19 December 1994, the Commission on Transnational Corporations became a commission of the Trade and Development Board and was renamed the Commission on International Investment and Transnational Corporations. Accordingly, the twenty-first session of the Commission on International Investment and Transnational Corporations is the first to be held by the Commission as a subsidiary organ of the Board.

### Item 1: Election of officers

1. Rule 18 of the rules of procedure of the main Committees of the Trade and Development Board states that: "At the commencement of the first meeting of each regular session, the Committee shall elect a Chairman, five Vice-Chairmen and a Rapporteur from among the representatives of its members. These officers shall constitute the Bureau of the Committee. In electing the officers, due account shall be taken of the need to ensure an equitable geographical distribution." Moreover, rule 19 indicates that "the Bureau of the Committee shall consist of seven members, including four members from Groups A and C combined, two members from Group B and one member from Group D, referred to in the annex to General Assembly resolution 1995 (XIX) as amended".

### Item 2: Adoption of the agenda and organization of work

#### Agenda

2. The provisional agenda for the twenty-first session of the Commission was approved by the Commission at its twentieth session and by the Economic and Social Council in decision 1994/226 of 14 July 1994.

#### Documentation

TD/B/ITNC/1 Provisional agenda and annotations

Organization of work

3. Concerning the organization of the work of the session, the Commission has five days available. It is suggested that the agenda items be taken up sequentially, with the first plenary meeting, on Monday 24 April, being devoted to procedural matters, introductory statements and the commencement of the general discussion under item 3. The general discussion is expected to continue until the close of the afternoon meeting on Tuesday 25 April. Item 4 would be taken up on Wednesday 26 April, and item 5 in the morning session of Thursday 27 April. The last plenary meeting, on Friday 28 April, would be devoted to the adoption of any formal action and to items 6, 7 and 8.

4. The secretariat will prepare a tentative sequence of issues to be dealt with by the Commission which will be available on the first day of the session.

Item 3: Recent developments in international investment and transnational corporations

5. Under this item delegations debate global investment trends and related issues concerning the activities of transnational corporations in the world economy. To facilitate the general discussion, the report on this item updates and expands the information in the World Investment Report 1994.

6. As shown in the report, foreign direct investment is an increasingly important component of the international economy. In 1993, for example, the global stock of foreign direct investment grew twice as fast as world-wide exports of goods and non-factor services. Also, a larger share of sales of goods and services in foreign markets is taking place within the networks of transnational corporations than through arm's length trade governed by market forces. Hence, the importance of investment in policy discussions on international market access.

7. Foreign direct investment is also an increasingly important component of net long-term resources flows to developing countries. While investment flows world-wide have begun to return to 1990 levels with the recovery of the developed economies, flows to developing countries continue to grow rapidly, reaching a record of about $80 billion in 1994. Outward foreign investment by developing countries is also growing, reaching $12 billion in 1993. Underlying these financial flows is a flow of production assets and activities associated with transnational corporations. However, many developing countries do not participate in these flows, 80 per cent of which are accounted for by only 10 countries.

8. A background paper on "Incentives and foreign direct investment" (TD/B/ITNC/Misc.1) examines the question of incentives, including whether they constitute unnecessary spending on the part of host countries and whether they distort competition among countries for foreign direct investment. The examination is exploratory, and the Commission may wish to suggest ways in which the issue of incentives could be further examined, and also consider the role it might play in the evolving examination of international standards with respect to investment.

Documentation

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| TD/B/ITNC/2 | Trends in foreign direct investment<br>Report by the UNCTAD secretariat |

Item 4: Country and regional experiences in attracting foreign direct investment for development

9. The report on this item analyses and contrasts the foreign direct investment experience of developing-country regions. It concludes, inter alia, that Asia's dynamic economic growth and development have sustained continued inflows of investment, mainly to China but also to many other economies in South, East and South-East Asia. In this process, developing-country-based transnational firms from within the region are playing an increasingly important role. In Latin America and the Caribbean, structural adjustment programmes, including privatization, have been important to the renewed attraction of investment flows to several countries. Investment-led regional integration is increasingly evident, holding the potential to lead to a hemispheric-wide free-trade area. Africa receives almost no portfolio inflows and little foreign direct investment, relative to other regions as well as to potential investment opportunities within Africa. One link for tapping the latter could be privatization programmes (as suggested by the experience of the other developing regions).

10. A background paper on "Foreign direct investment in Central and Eastern Europe" (TD/B/ITNC/Misc.2) examines in further detail the trend in, and initial impact of, investment by transnational corporations in the transitional economies of the region. The paper also looks at investment outflows.

Documentation

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| TD/B/ITNC/3 | Foreign direct investment in developing countries<br>Report by the UNCTAD secretariat |

Item 5: Implementation of the programme on international investment and transnational corporations

11. Under this item delegations review the activities of the programme, including in the area of technical cooperation. Delegations from donor countries are invited to pledge contributions to the General Trust Fund on Transnational Corporations.

12. The reports on this item include a review of the experience gained in assisting the economies in transition in the commercialization of their science and technology via business alliances with transnational corporations. Scientific products are routinely patented before they are marketed and licensing contracts normally capture the full potential value of the scientific product; however, this is often not the case in the economies in transition owing to lack of knowledge of international standards and insufficient skills in contract negotiation. Technical cooperation needs include training and advisory assistance in intellectual property protection, marketing, strategic planning, negotiation, cost accounting, finance and other subjects relevant to market economies.

13. A background paper on "Activities of the programme on international investment and transnational corporations" (TD/B/ITNC/Misc.3) describes the activities of the programme undertaken in 1994.

14. The Commission will also have before it the Report of the Working Group of Experts on International Standards of Accounting and Reporting (TD/B/ITNC/5 - TD/B/ITNC/AC.1/6) on its thirteenth session. This year's report reviews variations in national environmental accounting regulations and practices. It examines how the concept of sustainability can be better reflected in accounting methodology. The integration of environmental and financial reporting is also addressed.

Documentation

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| TD/B/ITNC/4 | Experiences gained in technical co-operation activities relating to the commercialization of science and technology<br>Report by the UNCTAD secretariat |

Item 6: Provisional agenda for the twenty-second session of the Commission

15. The UNCTAD secretariat will submit to the Commission for its consideration a draft provisional agenda for the twenty-second session.

Item 7: Other business

Item 8: Adoption of the report of the Commission

16. The report of the Commission on its twenty-first session will be considered by the Trade and Development Board at the first part of its forty-second session.